

Senate File 338 - Introduced

SENATE FILE 338

BY DICKEY

A BILL FOR

1 An Act prohibiting litigation financing contracts, and
2 including effective date and applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 537A.7 **Litigation financing**
2 **contracts — void.**

3 A litigation financing contract that is a nonrecourse
4 transaction in which financing is provided to a consumer,
5 attorney, or law firm in return for the consumer, attorney,
6 or law firm assigning a contingent right to receive an amount
7 of the potential proceeds of the consumer's judgment award,
8 settlement, or verdict obtained with respect to the consumer's
9 legal claim is void, unlawful, and unenforceable. This
10 section does not prohibit the provision of legal services on
11 a contingency fee basis, or the advancement of legal costs,
12 where such services or costs are provided for or on behalf of
13 a consumer by an attorney representing the consumer in the
14 dispute and in accordance with Iowa rules of professional
15 conduct, a commercial tort claim as defined in section
16 554.9102, or a claim under chapter 87.

17 Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate
18 importance, takes effect upon enactment.

19 Sec. 3. APPLICABILITY. This Act applies to litigation
20 financing contracts entered into on or after the effective date
21 of this Act.

22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with
24 the explanation's substance by the members of the general assembly.

25 This bill prohibits litigation financing contracts.
26 Litigation financing contracts are agreements between a third
27 party and a plaintiff, an attorney, or a law firm of a civil
28 action in which the third party provides funding for legal
29 expenses in exchange for a percentage of any settlement or
30 judgment. The bill does not prohibit the provision of legal
31 services on a contingency fee basis, or the advancement of
32 legal costs, where such services or costs are provided for
33 or on behalf of a consumer by an attorney representing the
34 consumer in the dispute and in accordance with Iowa rules of
35 professional conduct, a commercial tort claim, or a claim under

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1 Code chapter 87 (workers' compensation).

2 The bill takes effect upon enactment and applies to
3 litigation financing contracts entered into on or after the
4 effective date of the bill.